

Message Text

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 8428

C O N F I D E N T I A L BUENOS AIRES 7566

E. O. 11652: GDS

TAGS: EFIN, AR

SUBJECT: BANK RENATIONALIZATION-CHASE SUBSIDIARY INTERVENTION

REF: A. BA 7227; B. BA 3241

1. RECENTLY, EMBOFF HAD OPPORTUNITY TO DISCUSS CHASE SITUATION AND RECENT INTERVENTION, (SEE REF A) WITH FORMER MANAGER OF BANCO ARGENTINO DE COMERCIO (CHASE MANHATTAN).

2. FORMER MANAGER QUITE BITTER OVER INTERVENTION WHICH HE SAID CAME AS SUDDEN AND TOTAL SURPRISE. HE INTERPRETED ACT AS DELIBERATE PROVOCATION BY GELBARD AND ASSOCIATES AGAINST CHASE. HE SAID IT WAS NOT COINCIDENCE THAT GOA PUBLIC ENTITIES HAD WITHDRAWN LARGE SUMS OF MONEY FROM CHASE ACCOUNTS IN NEW YORK WHEN CHASE SUBSIDIARY HERE INTERVENED. HE ALSO NOTED TIMING OF INTERVENTION - ONLY TWO WEEKS AFTER GOMEZ MORALES DEPARTURE - INDICATING HIS BELIEF THAT GOA HAD LOST AN IMPORTANT STABLIZING INFLUENCE. THUS FAR, HE SAID CHASE HAD AVOIDED ANY PUBLIC REACTION TO INTERVENTION WHILE IT CAREFULLY CONSIDERED ALL OPTIONS, INCLUDING POSSIBLE INITIATION OF LEGAL PROCEEDINGS SEEKING ATTACHMENT OF ARGENTINE ASSETS IN U.S.

3. REAL MOTIVATION FOR GOA INTERVENTION STILL UNCLEAR. ONE THEORY IS THAT AUTHORITIES FELT BANK IN SUCH BAD SHAPE, THAT SPECIAL SUBSIDIES AND SUPPORT, WHICH COULD NOT BE
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GIVEN TO PRIVATE BANK, REQUIRED TO MAKE IT EVEN SALEABLE.

IT'S ALSO POSSIBLE GOA SINCERELY BELIEVED BANK UNDER BAD MANAGEMENT AND CONSEQUENTLY WISHED TO CUT LOSSES. (EFFECTIVE APRIL 30, PROFITS AND LOSSES OF RENATIONALIZED BANKS HAVE BEEN FOR ACCOUNT OF CENTRAL BANK.) GOA MAY ALSO HAVE SOUGHT TO INCREASE ITS BARGAINING POWER WITH CHASE.

4. COMMENT: BASED ON REACTION OF FORMER LOCAL MANAGER, IT WOULD APPEAR THAT RECENT GOA INTERVENTION HAS GREATLY DIMINISHED POSSIBILITY FOR SETTLEMENT SATISFACTORY TO CHASE OF ITS SITUATION HERE. OF COURSE, WE DON'T KNOW EXTENT TO WHICH THIS PESSIMISTIC VIEW SHARED BY NEW YORK HEADQUARTERS OF CHASE.
MONTLLOR

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